

Economic Impact Statement

LSA Document #16-265

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The Indiana Department of Administration (Department) has determined that the proposed rule will impose minimal requirements or costs on small businesses.

1. An estimate of the number of small businesses, classified by industry sector that will be subject to the proposed rule.

The proposed rule affects Indiana veteran owned small business enterprises (IVOSB) by providing an opportunity for those entities to certify directly through the state of Indiana program.¹ The July 1, 2016, law change allowed for this second option for certification and instructed the Department to adopt rules to implement the change.² The most recent U.S. Census found that in 2012 there were forty-five one hundred seventy-four thousand (45,174) "Veteran Owned Firms" in the state of Indiana.³ Therefore, in the unlikely event all of those businesses chose to be certified as an IVOSB, they would be subject to the requirements of this rule. However this is a totally voluntary program and is not required to enter into contracts with the state or be a subcontractor on a state contract.

2. An estimate of the average annual reporting, record keeping, and other administrative costs that small businesses will incur to comply with the proposed rule.

The proposed rule will not impose any direct expenses on IVOSB applicants as there is no fee required to apply; nor is certification required to obtain a state contract or be a subcontractor on a state contract. The proposed rule provides a certification process in which participants will be required to submit a one (1) page application, documents that show proof of principal place of business in Indiana, current or past military service, and copy of a state or federal issued photo identification. The actual cost to an individual to register is most minimal, i.e., cost of paper and potential cost of postage. There is an annual requirement of submitting a form to verify no material changes to the ownership or location change of the business. The certification is valid for two (2) years; therefore, if an IVOSB chooses to be recertified there is a form to complete and submit. There are no fees charged for certification, annual verification, or recertification requests. Those who choose not to participate in the program, or who are not eligible, have no annual reporting, record keeping, or administrative costs as a result of this proposed rule.

3. An estimate of the total annual economic impact that compliance with the proposed rule will have on all small businesses subject to the rule.

The primary benefit of this rule change is to allow IVOSBs to apply for certification as an IVOSB directly with the state of Indiana. There could be a positive impact on the IVOSBs if by choosing to be certified they are more proactive in looking for state contracting opportunities. Further, being certified will add their business information to the state database. This means they will receive e-mail notices when solicitations in their area of business are released. Though those solicitations are posted for all to see on the IDOA website, the e-mail notification could make the owners aware of opportunities they previously did not know existed.

There are no fees associated with the IVOSB program under the proposed rule. As previously stated, documentation will include their IVOSB application, documents that show proof of principal place of business in Indiana, current or past military service, and copy of a state or federal issued photo identification, and possibly other documents clarifying the authenticity and accuracy of eligibility, as requested by the Department. The proposed rule requires certain ongoing compliance obligations for IVOSB. As previously discussed, there is an annual requirement of submitting a form to verify no material changes to the ownership or location change of the business. The certification is valid for two (2) years; therefore, if an IVOSB chooses to be recertified there is a form to complete and submit. Again, there are no fees charged for certification, annual verification, or recertification requests.

4. A statement justifying any requirement or cost that is imposed on small businesses by the rule, and not expressly required by the statute authorizing the agency to adopt the rule, or any other state or federal law.

The proposed rule does not impose additional requirements or direct costs on an IVOSB as the program has been in place since 2015, potentially impacting the same small businesses. Thus, the proposed rule simply provides another option of certification directly with the state. The state application only seeks to verify the information required by [IC 5-22-14-3](#) and [IC 5-22-14-3.5](#).

5. Regulatory Flexibility Analysis

The Department is unable to determine a feasible, less restrictive or burdensome method for accomplishing the purpose of the proposed rule. Any alternative for IVOSB that would allow for less stringent compliance, documentation requirements, or ongoing reporting obligations would undermine the integrity of the proposed rule and render the resulting rule impotent and not be in compliance with the law.

a. Establishment of less stringent compliance or reporting requirements for small businesses.

The least stringent means of compliance and reporting requirements have been utilized in the proposed rule. The proposed rule only requires an IVOSB to submit a one (1) page application, documents that show proof of principal place of business in Indiana, current or past military service, and copy of a state or federal issued photo identification and only if they choose to participate in the certification program.

b. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.

The proposed rule requires certain ongoing compliance obligations for IVOSB. The proposed rule also requires IVOSB to provide renewal certifications to the Department and make known any material changes to the organizational structure of the firm, which is a parallel requirement of the federal Veteran Owned Small Business program which previously was the only way to be certified with the state. Therefore, this is not a new requirement; it is a mere continuation of a current requirement.

c. Consolidation or simplification of compliance or reporting requirements for small businesses.

The least stringent means of compliance and reporting requirements have been utilized in the proposed rule. The proposed rule only requires an IVOSB to submit documents that are quickly completed and easily obtained.

d. Establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.

The proposed rule requires all IVOSB to comply with the same reporting requirements under the current requirements under the federal program.

e. Exemption of small businesses from part or all of the requirements or costs imposed by the rule.

There are no exemptions provided under the proposed rule as there are no direct costs imposed or incurred by IVOSB.

Conclusion

The proposed rule provides additional economic opportunities by offering another certification option for those Indiana Veteran Owned Small Businesses who choose to seek certification. The program goal is designed to help men and women who return home after serving their country, have previously served, or are currently serving, to start or expand their own business.

¹ Under the previous law, businesses must be certified by the Center of Veterans Enterprises of the United States Department of Veterans Affairs.

² [IC 5-22-14-3](#) and [IC 5-22-14-3.5](#)

³ <https://www.census.gov/quickfacts/table/PST045216/18>

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